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Law to help retirees buy homes

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Call it the common cure for the empty nest syndrome. When the kids grow up and move away, many retirees downsize their homes to better meet their needs. However, that decision can prove costly, as some retirees see their property tax burden double or triple overnight.

It's almost counter-intuitive. Retirees hoping to reduce their expenses with a smaller home are instead hit with a bigger property tax bill.

The problem occurs because property taxes are determined by your property's assessed value at the time of purchase. If you have owned your home for decades, a new assessment of your property's value could translate into an unexpected and exponential jump in your annual property tax bill.

That higher property tax bill comes at the worst possible time for retirees, who are just beginning to transition to a fixed income. To remedy this problem, voters overwhelmingly approved Proposition 90 in 1988, which allowed counties to accept a property tax base transfer from one county to another (tax lingo for maintaining your current property tax bill). The measure was narrowly tailored to allow a one-time property tax transfer for individuals 55 and older.

Although Proposition 90 has been in effect for 20 years, only seven counties allow retirees to utilize this county-to- county property tax transfer. Thanks to a proposal crafted by San Bernardino County Assessor Bill Postmus and introduced by Supervisors Brad Mitzifelt and Gary Ovitt, San Bernardino

County could become the eighth county to implement Proposition 90. The county estimates as many as 500 people per year could benefit from this proposal with only a negligible cost to local government.

For Southern California's struggling housing market, this tax change could not come sooner. Offering lower property taxes will encourage a few more people to move to San Bernardino County. It might not turn the housing market around, but it certainly helps mitigate the increasing number of blight-stricken homes left vacant from foreclosures. This month, San Bernardino County experienced a 15-fold annual increase in the number of homes repossessed by lenders. San Bernardino County has the fifth-highest foreclosure rate in California, with almost 5,000 homes currently in some form of foreclosure.

Opponents contend that local governments already struggling to balance their budgets cannot afford the lost revenue. But, a closer examination of the numbers empirically denies this concern. Local governments estimate a combined revenue loss of $186,000 per year. Based on 500 people utilizing the program, that equates to $372 per person annually or about a dollar a day.

Local governments will easily make up this lost revenue in the economic activity and tax revenue generated by new residents. In most cases, foreclosed homeowners fail to pay the assessments, park fees, lighting districts, Mello-Roos fees and other specialized taxes levied in addition to property taxes. Those local taxes and fees are essential to funding parks, schools, fire stations, road maintenance and other infrastructure needs of neighborhoods.

In addition to the property tax fees that currently go uncollected on foreclosed homes, new residents will generate sales and use tax revenue by visiting local shops and restaurants. According to sales and use tax data from the California Board of Equalization, the average individual in San Bernardino County spends $860 per year in sales taxes; thereby, blunting any lost revenue from Proposition 90.

Relocating during retirement shouldn't raise your property taxes. I commend the San Bernardino County supervisors for considering this important tax relief measure. Every county in California should consider following San Bernardino County's lead by providing lower taxes for retirees while mitigating foreclosure blight.

Michelle Steel represents the Third District, which includes most of San Bernardino County, on the California Board of Equalization.